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Venezuela

Poultry and Products

Annual

2004

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Report Highlights:

Poultry production is expected to increase in 2004 and 2005 after three years of steep declines due to political turmoil. The Government of Venezuela is expected to increase government controlled imports and distribution of frozen poultry from Brazil to 20,000 tons in 2005. to 20,000 tons in 2005.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Caracas [VE1]
[VE]

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SITUATION AND OUTLOOK

Poultry production is expected to improve somewhat in 2004 and 2005, finally improving after a steep decline in production since 2000 due to political problems. Demand for poultry is expected to grow due to better disposable incomes of consumers and cheaper prices relatively to beef and pork.

The Government of Venezuela's policy of foreign exchange controls and price controls for poultry remain in place. Access to imported feed ingredients (yellow corn, soybean meal and yellow grease) continues to be heavily controlled by the Ministry of Agriculture and Lands.

Government controlled poultry imports are forecast to increase as the Government of Venezuela (GOV) continues to expand its food distribution programs. Imports are forecast to grow from 7,000 tons in 2004 to 20,000 tons in 2005. The GOV has only imported whole poultry from Brazil, although it has begun consultations with Argentina and Colombia for poultry meat imports. Over the long run, poultry imports are expected to take on added importance as the GOV purchasing and distribution system expands.

PRODUCTION

Poultry production is forecast to recover somewhat in 2005 due to higher demand, as the country begins to recover from recession and disposable incomes of consumers improve due to high oil prices. Reliable official production estimates are not available, so the production figures used here are Post estimates based on feed imports and use.

Poultry production is heavily dependant in imported animal feed ingredients such as yellow corn, soybean meal and yellow grease. The Government of Venezuela (GOV) continues to exercise a tight control on import licenses for feed products (licenses are tied to the domestic purchase of sorghum and white corn). In addition, the access of importers to dollars is restricted due to foreign exchange controls.

The increase in poultry production (a slight 2 percent as compared to 2004) is far behind levels recorded in 2001. The well developed and vertically integrated poultry sector has had to overcome foreign exchange restrictions, food price controls, restricted import licenses for feed ingredients and falling consumer demand. Today, two companies represent about 44 percent of the poultry sector, followed by several small to medium sized companies. The general market operation is for larger operations to contract with smaller producers to supply all inputs and to buy all production.

No significant change in economic policies, including the current food price controls and foreign exchange controls are expected, since higher oil prices have lessened the need of the Government to change its policies. Venezuela's economy depends on oil and is the world's fifth largest oil exporter.

CONSUMPTION

Poultry meat consumption for 2005 is forecast to increase by 3 percent, mainly because poultry meat is reasonably priced as compared to other meats (beef and pork.) Despite GOV food price controls in place since February 2003, increasing prices of red meat continue to drive many consumers towards poultry and poultry products.

PRICES

The GOV adjusted its price ceiling for whole chickens in April 2004, when the price was set at Bolivars 3,130 per kilo (\$.074 per pound.) Actual market prices are generally above the official price. Current prices of meat are shown in the following table:

**Price Comparison Between Poultry, Beef and Pork Meat
(Bolivars per Kilo)**

| Product | Free Market Price/ 1 | Controlled Price/ 2 |
|---------|----------------------|---------------------|
| Poultry | 3,500 | 3,130 |
| Beef | 10,800 | 5,000 |
| Pork | 8,800 | 4,000 |

Source:

1/ Wet market quotes.

2/Official Gazette N° 37,918, dated 04/15/04 and N°37,629, dated 02/11/03

Exchange rate Bs. 1,920 per 1 US\$

TRADE

The first imports of poultry since 1993 took place in the middle of 2003 and imports are expected to continue growing to reach 20,000 tons in 2005. The GOV lifted the previous import ban to allow imports for distribution by the government. All recorded imports have been carried by the government through two state-trading enterprises: CASA and CVA (Corporación de Abastecimiento y Servicios Agropecuarios and Corporación Venezolana Agraria), which have purchased from Brazil for political reasons.

The GOV maintains tight controls on imports through the issuance of sanitary import permits. Imports were banned between 1993 and 2003 through denial of sanitary permits. The ban was first maintained by a prohibition on imports from countries with any form of Avian Influenza (AI) existed. This was later amended in 1997 to allow imports from these countries, but the Venezuelan Animal and Plant Health Service (SASA) continued to restrict imports by not issuing the import permit. The GOV continues to deny import permits to the private sector.

The Government announced that poultry imports would be approximately 17,000 tons in 2003, but official trade numbers only show imports of 6,000 tons. FAS/Caracas estimates that actual imports were 7,000 ton in 2003. Imports could reach 15,000 MT in 2004, although verification of these imports through official numbers will be difficult since imports are currently being carried out directly by the government and do not pass through regular custom channels.

The imports are coming from Brazil largely due to government policies to favor imports from there. Imported frozen Brazilian poultry is sold by the government in low-income neighborhoods of the country, primarily in Mercal stores, where logistical or spatial distribution

problems make sales of fresh poultry difficult. The product is sold in these markets below the controlled price, which is below the price of domestic product.

TARIFF

As a member of the Andean Community, poultry and poultry product imports from non-Andean countries are in theory subject to the Andean Community Price Band System (the Andean price band duty for the first two weeks of September 2004 is 104 percent). The GOV stopped applying this duty, however, when it exempted basic food products from tariffs and taxes in July 2003.

TABLES

| Venezuela Poultry, Meat, Total | | | | | | | |
|-----------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------|
| | 2003 | Revised | 2004 | Estimate | 2005 | Forecast | UOM |
| | USDA Official [Old] | Post Estimate [New] | USDA Official [Old] | Post Estimate [New] | USDA Official [Old] | Post Estimate [New] | |
| Market Year Begin | | 01/2003 | | 01/2004 | | 01/2005 | MM/YYYY |
| Inventory (Reference) | 0 | 0 | 0 | 0 | 0 | 0 | (MIL HEAD) |
| Slaughter (Reference) | 0 | 0 | 0 | 0 | 0 | 0 | (MIL HEAD) |
| Beginning Stocks | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| Production | 300 | 300 | 305 | 305 | 0 | 310 | (1000 MT) |
| Whole, Imports | 5 | 7 | 0 | 15 | 0 | 20 | (1000 MT) |
| Parts, Imports | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| Intra EC Imports | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| Other Imports | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| TOTAL Imports | 5 | 7 | 0 | 15 | 0 | 20 | (1000 MT) |
| TOTAL SUPPLY | 305 | 307 | 305 | 320 | 0 | 330 | (1000 MT) |
| Whole, Exports | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| Parts, Exports | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| Intra EC Exports | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| Other Exports | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| TOTAL Exports | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| Human Consumption | 305 | 307 | 305 | 320 | 0 | 330 | (1000 MT) |
| Other Use, Losses | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| Total Dom. Consumption | 305 | 307 | 305 | 320 | 0 | 330 | (1000 MT) |
| TOTAL Use | 305 | 307 | 305 | 320 | 0 | 330 | (1000 MT) |
| Ending Stocks | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| TOTAL DISTRIBUTION | 305 | 307 | 305 | 320 | 0 | 330 | (1000 MT) |
| Calendar Yr. Imp. from U.S. | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |

Import Trade Matrix

Country Venezuela

Commodity Poultry, Meat, Total

| | | | |
|-------------------|---------|--------|----------|
| Time Period | Jan-Dec | Units: | 1,000 MT |
| Imports for: | 2002 | | 2003 |
| U.S. | 0 | U.S. | 0 |
| Others | | Others | |
| | | Brazil | 6 |
| | | | |
| | | | |
| Total for Others | 0 | | 6 |
| Others not Listed | | | |
| Grand Total | 0 | | 6 |

Import Trade Matrix

Country Venezuela

Commodity Poultry, Meat, Total

| | | | |
|-------------------|---------|--------|----------|
| Time Period | Jan-Mar | Units: | 1,000 MT |
| Imports for: | 2003 | | 2004 |
| U.S. | 0 | U.S. | 0 |
| Others | | Others | |
| | | Brazil | 5 |
| | | | |
| | | | |
| Total for Others | 0 | | 5 |
| Others not Listed | | | |
| Grand Total | 0 | | 5 |

Prices Table

Country Venezuela

Commodity Poultry, Meat, Total

Prices in per uom

| Year | 2002 | 2003 | % Change |
|------|------|------|----------|
| Jan | 0.82 | 0.56 | -32% |
| Feb | 0.72 | 0.52 | -28% |
| Mar | 0.73 | 0.53 | -27% |
| Apr | 0.8 | 0.53 | -34% |
| May | 0.71 | 0.71 | 0% |
| Jun | 0.56 | 0.79 | 41% |
| Jul | 0.55 | 0.76 | 38% |
| Aug | 0.55 | 0.71 | 29% |
| Sep | 0.55 | 0.68 | 24% |
| Oct | 0.6 | 0.71 | 18% |
| Nov | 0.64 | 0.79 | 23% |
| Dec | 0.56 | 0.89 | 59% |

Exchange Rate Local Currency/US \$

Date of Quote MM/DD/YYYY